

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 XMB-02 NRC-05 SOE-02 AID-05 CEA-01
CIAE-00 DODE-00 EB-08 DOE-11 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 PA-01 EA-10
FRB-03 IO-13 NEA-10 OPIC-03 LAB-04 SIL-01 AGRE-00
/171 W

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P 171804Z FEB 78
FM AMEMBASSY MADRID
TO SECSTATE WASHDC PRIORITY 3515
INFO USDOC WASHDC
AMEMBASSY PARIS
AMEMBASSY VIENNA

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PARIS ALSO FOR USOECD AND USIEA, VIENNA ALSO FOR USIAEA;
DEPT. PASS EXIM

E.O. 11652: N/A
TAGS: ENRG, MNUC, SP
SUBJECT: SPAIN'S "REVISED" ENERGY PLAN - PROPOSALS ON
ELECTRICITY NATIONALIZATION AND OIL "CZAR" STIR
CONTROVERSY

1. SUMMARY: ACCORDING TO SPANISH PRESS, THREE PROPOSALS
OF INTER-MINISTERIAL WORKING GROUP TASKED WITH REVISING
NATIONAL ENERGY PLAN (1977-1987) HAVE STIRRED CONSIDER-
ABLE DEBATE AMONG GOVERNMENT MINISTRIES AND ENERGY
INDUSTRY. THESE PROPOSALS ARE: NATIONALIZATION OF HIGH
VOLTAGE (OVER 132 KV) ELECTRICITY DISTRIBUTION NET;
NATIONALIZATION OF ALL NUCLEAR PLANTS BUILT AFTER 1987;
AND CREATION OF AN OIL "CZAR" TO CONTROL ALL ASPECTS
OF INDUSTRY, INCLUDING EXPLORATION AND DEVELOPMENT,
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IMPORTS, PROCESSING AND MARKETING. ONE REPORT REFERRED
TO SITUATION AS "CRISIS AMONG ECONOMIC MINISTRIES" AND
PREDICTED THAT RESULT WOULD BE SHAKEUP OF "ECONOMIC TEAM".
HOWEVER, ONE SPANISH OFFICIAL CLOSELY INVOLVED IN PLAN
REVISION, TOLD EMBASSY HE DOES NOT VIEW MATTER AS THIS
SERIOUS. END SUMMARY

2. ORIGINAL DRAFT ENERGY PLAN, BY MINISTRY OF INDUSTRY AND ENERGY, WAS DUE FOR DELIVERY TO CORTES FOR DEBATE BY DECEMBER 31, 1977. INSTEAD IT WAS SENT TO INTER-MINISTERIAL WORKING GROUP FOR REVISION WHEN COUNCIL OF MINISTERS DECLINED TO APPROVE FIRST DRAFT. THIS DRAFT REPORTEDLY INCLUDED PROJECTIONS OF ENERGY NEEDS FOR NEXT TEN YEARS AND PROPOSAL AS TO HOW NEEDS SHOULD BE MET, BUT IT DID NOT TREAT INSTITUTIONAL QUESTIONS (SUCH AS OWNERSHIP OF UTILITIES AND WHERE CONTROL OF ENERGY SECTOR SHOULD BE VESTED IN GOVERNMENT). MAIN OPPOSITION TO APPROVAL CAME FROM VICE PRESIDENT FOR ECONOMIC AFFAIRS AND MINISTER OF ECONOMY FUENTES QUINTANA, MINISTER OF FINANCE FERNANDEZ ORDONEZ AND MINISTER OF COMMERCE AND TOURISM GARCIA DIEZ. CHIEF SUPPORT FOR DRAFT, IN ADDITION TO MINISTER OF INDUSTRY AND ENERGY OLIART, SUPPOSEDLY CAME FROM OTHER MORE "CONSERVATIVE" MINISTER OF PUBLIC WORKS GARRIGUES WALKER.

3. WORKING GROUP WAS INITIALLY TASKED ONLY WITH TECHNICAL REVISION OF ENERGY DEMAND PROJECTION, SINCE TOTAL NEEDS APPEARED TO BE BASED ON PROJECTION OF UNREALISTICALLY HIGH ECONOMIC GROWTH RATE. IN THIS REGARD, TOTAL ENERGY DEMAND BY 1987 WAS REDUCED FROM 154 MILLION TEC (TONS COAL EQUIVALENT) TO 143 TEC. CORRESPONDING REDUCTIONS WERE ALSO MADE IN PROJECTED SOURCES OF ENERGY SUPPLY, INCLUDING NUCLEAR PLANTS. LIMITED OFFICIAL USE

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MAJOR CONTROVERSY, HOWEVER, HAS ARISEN OVER THREE PROPOSALS ON "INSTITUTIONAL" ASPECTS OF PLAN MENTIONED ABOVE IN PARA 1.

4. AS EMBASSY UNDERSTANDS, PROPOSAL TO NATIONALIZE HIGH VOLTAGE ELECTRICITY NET WOULD INVOLVE GOVERNMENT PURCHASE OF SUFFICIENT STOCK IN FIRMS OWNING THESE FACILITIES TO RAISE TOTAL OWNERSHIP TO 51 PER CENT. THIS WOULD REPORTEDLY COST ABOUT 15,000 MILLION PESETAS (186 MILLION DOLLARS). CRITICS OF PROPOSAL SAY INVESTMENT WOULD BE EXCESSIVE AND UNNECESSARY, SINCE UTILITIES NOW DOING GOOD JOB AND STATE CONTROL CAN BE BEST ASSURED THROUGH PLACING DELEGATE ON COMPANY BOARD. WITH REGARD NUCLEAR PLANTS, CRITICS URGE THAT GOVERNMENT DECIDE FIRST WHETHER SPAIN SHOULD GO NUCLEAR ROUTE, AND IF SO TO WHAT DEGREE. IN ANY CASE THEY CLAIM THAT PROPOSAL ON NATIONALIZATION OF PLANTS BUILT AFTER 1987 SHOULD NOT BE INCLUDED IN THIS ENERGY PLAN.

5. WITH REGARD TO CREATION OF OIL "CZAR" IN MINISTRY OF ECONOMY, REPORTEDLY IN VIEW OF MINISTRY OF INDUSTRY AND ENERGY, CONTROL OVER ENERGY SHOULD BE FURTHER

CONCENTRATED AND NOT DISPERSED BY SHIFTING OIL TO
MINISTRY OF ECONOMY. FURTHER, IT BELIEVES LATTER
MINISTRY'S MISSION OF "COORDINATOR OF GENERAL ECONOMIC
POLICY" HAS NOTHING TO DO WITH OIL INDUSTRY AND ITS
STAFF IS NOT QUALIFIED TO DO JOB. FINALLY, MINISTER OF
INDUSTRY AND ENERGY REPORTEDLY UPSET AT IDEA THAT ONLY
SEVEN MONTHS AFTER "ENERGY" ADDED TO HIS TITLE, HE IS
THREATENED WITH MAJOR LOSS OF ENERGY BUSINESS.

6. IN DISCUSSION WITH EMBOFFS ON FEBRUARY 15, EDUARDO
PUNSET CASALS, TECHNICAL SECRETARY GENERAL AND MINISTRY
OF INDUSTRY AND ENERGY'S ONLY REPRESENTATIVE ON FIVE-MAN
WORKING GROUP, SAID HE DID NOT VIEW SITUATION AS "CRISIS"
AND DID NOT EXPECT CHANGE OF MINISTERS ON "ECONOMIC TEAM".
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PUNSET ADMITTED THERE WERE DIFFERENCES BETWEEN FUENTES

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FM AMEMBASSY MADRID
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PARIS ALSO FOR USOECD AND USIEA, VIENNA ALSO FOR USIAEA;
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QUINTANA AND OLIART BUT HE ATTRIBUTED THESE
PRIMARILY TO USUAL PROBLEMS OF DIVISION OF RESPONSIBILITY
FOR SPECIFIC "STAFF" AND "LINE" FUNCTIONS. HE INDICATED
FURTHER THAT DEBATE OVER ENERGY PLAN REFLECTS TO A
DEGREE MORE GENERAL DIFFERENCES WITHIN UCD ABOUT AMOUNT
OF GOVERNMENT INTERVENTION TO INCLUDE IN
ECONOMIC POLICY OF GOVERNMENT.

7. WITH REGARD TO REVISED NUCLEAR PROGRAM, PUNSET SAID
PLAN NOW INCLUDES TOTAL OF ABOUT THIRTEEN REACTORS BY
1987, DOWN FIVE FROM PREVIOUSLY PROJECTED EIGHTEEN.
NEW TOTAL INCLUDES ONLY THREE PLANTS BEYOND THE THREE
OPERATIONAL AND SEVEN UNDER CONSTRUCTION. ALTHOUGH
SEVERAL OPTIONS WERE PRESENTED BY WORKING GROUP, PUNSET
SAID THAT CUTBACK WOULD PROBABLY EVEN AFFECT SOME PLANTS
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FOR WHICH EQUIPMENT HAS ALREADY BEEN ORDERED, INCLUDING
THE SAYAGO PLANT.

8. COMMENT: AT THIS POINT ENERGY PLAN DEBATE CONTINUES
AND FINAL RESULT, WITH REGARD BOTH TECHNICAL AND
"INSTITUTIONAL" PROVISIONS IS HARD TO PREDICT. WE PLAN
TO DISCUSS MATTER WITH OTHER MINISTRIES INVOLVED
(PARTICULARLY MINISTRY OF ECONOMY) NEXT WEEK IN EFFORT
CLARIFY DIFFERING VIEWS AND SPECIFICS OF PROPOSALS.
IN ANY CASE, IT APPEARS THAT PLAN WILL INCLUDE RATHER
SHARP REDUCTION IN NUCLEAR CONSTRUCTION, INCLUDING
CANCELLATION OF SOME PROJECTS. THIS SENSE OF UN-
CERTAINTY MAY EXPLAIN THE RELUCTANCE OF IBERDUERO
TO PAY WESTINGHOUSE \$27 MILLION WHICH IS OWED ON THE
SAYAGO PROJECT, WHICH A LOCAL WESTINGHOUSE OFFICIAL
REPORTED, SINCE THE EQUIPMENT UNDER THIS ORDER MIGHT NOT
BE NEEDED. STABLER

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